EXECUTIVE SECRETARIAT

Routing Slip

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SUSPENSE ______________ Date

Remarks:

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Executive Secretary

4/29/83

Date

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KIKA DE LA GARZA
15TH DISTRICT, TEXAS

Executive Registry
83-2287

Congress of the United States
House of Representatives
Washington, D.C. 20515

27 April 1983

Honorable Donald T Regan
Secretary of the Treasury
U S Department of the Treasury
Washington D C 20220

Dear Mr Secretary

Your recent letter explaining to me the Senior Interdepartmental Group's decision to deny South Korea participation in the blended credit export program for cotton has been received. I attach it for your ready reference.

As my South Texas area is unquestionably affected and my cotton producers dismayed at this decision, I must respond to several points in your letter because they do not quite hit the mark.

As you know, the USDA's estimate of 1.5 million bales of cotton to be imported by South Korea during 1983 is accompanied by 143,000 bales under blended credit sales, which results in a target of 86,000 bales to satisfy the additionality requirement. Clearly, the U S blended credit offer is predicated on the assumption that South Korea will import at least 1.5 million bales. Granted 86,000 bales is a small amount compared to the total import figure. Despite that, it nonetheless satisfies the additionality requirement.

When you mention subsidizing South Korean textile interests by granting them 2 and 3 year export credit terms, you must be aware that only slightly more than half the expected 1.5 million bales to be exported to South Korea this year will be covered under any kind of credit arrangement--blended or otherwise.

This is not what can be considered heavy subsidization of South Korean textile industries by any stretch of the imagination. Frankly, because the U S offers CCC credits on some of the cotton purchases, this encourages the South Koreans each succeeding year to commit themselves to greater levels of imports.

The very reason South Korea imports 90% of its cotton from the U S is because South Korea need not pay cash for all of it. Those other suppliers of cotton which you mentioned have such a small share of South Korea's market because they require payment in full--cash on the barrel head.

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By the same token, I can point out that the subsidization of foreign industries issue can be leveled at almost any American customer who receives credit assistance. This issue, therefore, is not germane to the South Koreans alone.

No one disputes the fact that South Korea is economically healthy. That statement is relative not to the industrialized nations, but to other less developed countries. With a current account deficit of $1.5 billion, we can hardly compare South Korea to, say, Japan.

While I cannot fully disagree with you that South Korea should graduate from 3 year credit terms to financing a little closer to market terms, this should not be an excuse for denying them participation in the blended credit program for cotton. Blended credit sales can be scheduled for less than 3 years--and as I have mentioned, credit assistance of some kind has spurred South Korea to give us 90% of her cotton market.

The purpose of the blended credit program is not only to counter foreign subsidized exports but to expand the U S share of that market. South Korea has shown that this is true, even with regular USDA credit.

If blended credit participation for cotton is not re-instated for the South Koreans, I can assure you of one thing--when the advocates on both sides of the issue pipe down and head home, we're going to see the U S share of the cotton market to South Korea steadily decline. That will be the end of it.

The only one who will remember the whole affair will be the American cotton producer--and that's the one I am pledged to help.

Please reconsider, Mr Secretary, and get the act back on the straight course.

Sincerely

K. delaGarza

E (Kika) de la Garza M C

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cc Members, Interdepartmental Group
on International Economic Policy